



## Short Article

# Re-engineering Agriculture: Could it be a Policy to Eradicate Poverty?

We are all familiar with the puzzle that is to draw four lines connecting nine dots, four in the corners of a square and one in the intersection of the two diagonals and four in the middle of each side of the square. The only way the lines can be drawn is by extending them out of the square. Oftentimes, in many ways of our thinking, we are co-opted by the predetermined frame of our thought (the square), and not until we break out of this frame can we begin to have new vision, different ways of seeing things, and finally be able to solve problems.

The re-engineering concept, defined as “the fundamental rethinking and radical redesign of business process to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service and speed”, is non-traditional and non-linear as compared to the common way of thinking. Fundamental and radical, as opposed to incremental, means a completely new way of looking at business as if we are to build the business for the future not merely extending or expanding the current one. In terms of planning, it starts by determining what kind of business we want to have in the future and work backward to design and prepare the business.

The question is what does this have to do with agriculture, in particular, in relation to poverty eradication? Frequently, when we talk about agriculture, in particular in developing countries, we are pre-occupied with the current existing agriculture in the country. On one occasion when I had an opportunity to engage in bilateral negotiations with one of the G10 member countries, delegates informed me that agriculture in G10 countries is not like agriculture in the US and Europe, which is agribusiness oriented. Their farming is household farming with around 20 ha/farm and an annual farm income of around US\$ 50,000. I told them that by that standard in Indonesia there is no agriculture. What would I call a 0.2 hectare operation with a yearly income of less than US\$ 100 using traditional, far from state-of-the-art technology? I call this eking out a living, not agriculture.

A large percentage of the poor in developing countries live in rural areas and make a living through agriculture or in one way or another related to agriculture. It is also true that most populations in agriculture in these countries are living below the poverty line. These poor farmers can be categorized into two groups. The first group includes those who are structurally poor, living and farming marginal, low-quality farmland. This low quality (in terms of both soil fertility and climate) farmland becomes a limiting factor for improving their income beyond the poverty line unless they change to non-farm activities as their source of livelihood. The most that can be done for this group is to foster diversified productive activities both in agriculture and non-agricultural ventures.

The second group includes those who are currently poor but have the potential to climb above the poverty line. They are endowed with relatively good quality land and a suitable climate besides the

necessary corporate culture, but lack in economies of scale and possibly some other factors such as their level of education, supporting infrastructure and possibly access to market and financing. This group, if provided with the necessary support such as technology, institutional and financial facilities, marketing infrastructure, can easily be lifted above the poverty line and in fact could once and for all become modern farmers that form the core of agriculture providing enough food and fibre for the population of the respective country and even the world.

The question is how this can be realized? In development planning the first step is to separate the two groups. Secondly, planners have to have a re-engineering mindset that goes beyond traditional thinking, radically and fundamentally asking questions as to what type of agriculture do we envision to develop that can respond to the challenge of the future not that can answer the problems of the past.

Once this vision is established, then we begin working backwards to prepare everything that would enable the vision to materialize. First we need to decide who will be the future farmers forming the modern agriculture. The first choice would be the existing second group, but this does not close the possibility of creating a completely new breed of future farmers that are capable of answering the challenge of the future, possibly some university graduates having a farming family background. The next thing to do is to organize them to a size that harmoniously matches the market, including the provision of all the necessary institutional and other supports, and incubate them until they can be left on their own.

Agriculture is a business production operation. It requires inputs, it uses processing technology (cultivation technology), in fact, to compete in a global market it needs state-of-the-art technology, and a market that generates returns sufficiently enticing for the farmer to pursue the business. In a developing country this can only be established by re-engineering agriculture. This might not be solving the whole problem of poverty, after all poverty will always be with us, but non-structural poverty will certainly be eliminated. Furthermore, developing countries once and for all will have farmers comparable to that of developed countries that can compete in the global market. Only then a developing country can sit at the same table and negotiate on a level playing field with any participating countries in the global market.

In Indonesia, we are revitalizing agriculture, meaning we want to put new life in it. I say, with a view to the future, we should also consider re-engineering ■

*Written by Togar A. Napitupulu, Senior Economist, UNESCAP-CAPSA, Bogor, Indonesia.*

*(References available upon request)*

Flash **BREAKING****Indonesian Economy Growing; as is the Poverty**

The number of poor people in Indonesia has increased sharply. Some 39 million, 18 per cent of the population are now officially poor. The number of poor would have soared even higher, to 51 million, if the government had not allocated cash handouts to some 76 million people to cushion the effects of the 126 per cent fuel-price hike. A report by the World Bank argues that artificially high rice prices are much more to blame than the effects of the fuel-price increases. Most poor people spend a quarter of their earnings on rice, which has risen in price by more than a third in the past year. Seventy-five per cent of the poor earn their living from agriculture but at least 75 per cent of the poor are net rice consumers.

The Economist, 2006. Always with Them, <http://www.economist.com/>, (14 September 2006).

**Drought Hits Grain Harvest**

The area's worst drought in 50 years has affected nearly 2.1 million hectares of cropland, resulting in a loss of nearly 5 million tons of grain in southwest China's Sichuan province. Sichuan will have to plant 1 million hectares of late-autumn crops like sweet potato, yams and beans, to reduce losses from the severe drought. The provincial government has allocated a relief fund exceeding 20 million yuan (US\$ 2.5 million). The month-long heatwave has resulted in droughts in 112 of Sichuan's 181 counties and affected nearly 2.1 million hectares of crops in the province. In addition, nearly 10 million people have difficulty in securing drinking water. The drought has caused losses of nearly 8.9 billion yuan (US\$ 1.1 billion), which will be shouldered by the farmers themselves.

China Internet Information Center, 2006. Drought Hits Grain Harvest, <http://www.china.org.cn/>, (24 August 2006).

**Poverty Reduction Remains Tough Job for Asia-Pacific Countries**

While the Asia-Pacific region is widely recognized as one of the most economically dynamic regions in the world, the newly created wealth is not trickling down to where it is needed most. The benefits of the regional 7 per cent economic boom have not been spread fairly among all people. Poverty remains one of the major issues as two-thirds of the world's needy population are in the Asia-Pacific region. A survey of 100 poverty-stricken counties across China last year found about 36.4 per cent of households suffer from food shortages. Economic development alone does not necessarily eliminate poverty in a fast growing population, but has created a widening income gap. Countries need to share their poverty reduction experiences to open new fronts on the world's war on poverty.

People's Daily Online, 2006. Poverty Reduction Remains Tough Job for Asia-Pacific Countries, <http://english.people.com.cn/>, (25 August 2006).

**RBI Stress Strong Agricultural Sector for Economic Growth**

The Reserve Bank of India (RBI) has stressed assigning a more important role to the agricultural sector to help the Indian economy maintain its growth momentum. Actual growth in the agricultural sector during the last four years has averaged only 2 per cent per annum as against the 4 per cent envisaged. The RBI attributed the slow growth to stagnation in the domestic production of wheat, sugar and pulses. Pointing to a stagnancy in investment in agriculture, the revival of rural co-operative credit institutions through legal and institutional reforms will help to improve the flow of credit to the agricultural sector and could, in turn, encourage investment in the sector.

Zee News, 2006. RBI Stress on Agri Sector for Economic Growth, <http://www.zeenews.com/>, (31 August 2006).

**Are Micro-Finance Institutions Exploiting the Poor?**

The high interest rates and forced loan recovery practices of Micro-Finance Institutions (MFIs) have been held responsible for the suicide of several farmers in Andhra Pradesh (AP). In April 2006, micro-credit had caused 60 deaths and according to some reports, the actual number could exceed to 200. Before such incidents micro-credit had the unflagging patronage of the government and donors in AP. Over 5.5 million women engaged in the micro-credit movement, with funds of up to Rs 5.65 billion. As funds flowed to the rural poor, the eradication of poverty seemed close. However, such fund mobilization meant little in terms of average savings per member, which stood at Rs 377. Proponents of micro-credit said that MFIs are serving the poor, since the banks are either unwilling or unable to extend much-needed financial services to persons at the bottom of the pyramid. MFIs further contended that because the prime lending rate is currently around 11 per cent, a higher rate of interest should not be considered exploitative. The higher rate of interest is justified to keep in mind the scale of providing services to rural areas. NSS (National Sample Survey) data reveals that rural households account for 63 per cent of the country's overall aggregate outstanding debt of Rs 177,000. The micro-credit revolution has caused 27 per cent of rural households to incur debt. The crisis in AP is only the tip of the iceberg. As the micro-credit movement spreads across the country, it is time to re-examine micro-finance from the perspective of protecting poor rural households ■

Based on Sharma, Sudhirendar, 2006. Are Micro-Finance Institutions Exploiting the Poor? <http://southasia.oneworld.net/>, (24 August 2006).

**Poverty Reduction in Viet Nam: Achievements and Challenges**

Hunger eradication and poverty reduction are two of Viet Nam's great achievements during its Doi Moi (renewal) process. However, in the 2006-2010 period, Viet Nam's poverty reduction programme will face no fewer challenges than before. The poverty rate dropped sharply from 30 per cent in 1992 to 8.3 per cent in 2004, then to below 7 per cent in 2005. On average, 340,000 households escape poverty every year. The quality of life of people living in poor villages has improved, especially ethnic minorities and women. Viet Nam is likely to experience non-food poverty in the 2006-2010 period, while food poverty will prevail among ethnic groups in the Central Highlands, northwestern and southwestern regions. There are three major causes leading to poverty, namely (1) unfavourable natural conditions; (2) a chronic lack of land, capital, business knowledge, workers as well as old farming practices and customs; and (3) inappropriate policies and mechanisms. The widening gap in terms of per capita income and living conditions between rich and poor, urban and rural areas and between economic regions is the biggest challenge for Viet Nam in reducing the poverty rate in the next five years. The second challenge is that the pace of poverty reduction will slow due to the impacts of economic growth, integration, natural disasters and macro-economic policies. Experts also warn of the considerable risk of a poverty relapse due to natural disasters, epidemics, price fluctuations, the impact of Viet Nam's coming accession to the World Trade Organization and the development of the market economy. The poor will find it more difficult to secure jobs due to the rapid development of scientific and technological advances and unequal development between regions ■

Based on Agroviet, 2006. Poverty Reduction: Achievements and Challenges Prior to Integration, <http://www.agroviet.gov.vn/>, (7 September 2006).

## A Rumble in the Thai Retail Sector

The dispute between small retailers and huge discount chain stores has dragged on for almost a decade, and still there are no solutions in sight. Indeed, tens of thousands of small grocers and retailers have already lost their livelihoods as a result of the aggressive expansion of giant discounters, first in Bangkok, then in major provincial cities and now increasingly in market towns throughout the country. The hypermarket operators, backed by state-of-the-art global supply chains, invariably beat small retailers on pricing and quality of service and are very popular among consumers. However, small retailers are demanding that the government help protect their businesses against what they describe as foreign domination in the retail trade. The value of the sector is expected to hit Bt 1.7 trillion this year. The competition from hypermarkets is more of a combination of economic and social issues, which affect everyone in any given community. If this debate were just a question of economics, then the arguments for free trade, the promotion of foreign-investment, consumer interest and supply-chain modernization would win the day. People who start small retail businesses may be landless farmers, factory workers or low wage earners who want to supplement their income. Helping these people make a living is consistent with the country's efforts toward economic and social development in general and its anti-poverty schemes in particular. The best way to control the hypermarkets is zoning. If these big discounters are forced out of city centres, then both hypermarkets and small retailers will maintain their respective comparative advantages. Consumers can then be expected to rationalize their behaviour. Whatever regulatory measures Thailand eventually chooses to impose on hypermarkets should be based on rational decisions based on their social and environmental impact - not protectionism or xenophobia. And Thailand will not be alone in imposing regulatory restrictions on large discounters. Given the country's sizeable retail market, it is also unlikely that these international discount chains will run from Thailand simply because of some sensible restrictions ■

Based on The Nation, 2006. A Rumble in the Retail Sector, <http://nationmultimedia.com/>, (28 August 2006).

## Billions Face Water Shortages, Crisis Looms

One third of the world are facing water shortages because of poor water resource management and soaring water usage, driven mainly by agriculture. Water scarcity around the world is increasing faster than expected, with agriculture accounting for 80 per cent of global water consumption. Globally, water usage has increased six-fold in the past 100 years and will double again by 2050, driven primarily by irrigation and demand from agriculture. Water scarcity in Asia and Australia affected about 1.5 billion people and was caused by over-allocating water from rivers, while scarcity in Africa was caused by a lack of infrastructure to get the water to the people who need it. Irrigation in many countries is inefficient and requires reinvention. However, scarcity problems could also be overcome by more efficient water use, recycling and better pricing of water, which in its bottled form is already rivaling the cost of oil. Rising living standards in India and China will lead to higher demand for better food, which will require more water to produce. Improving the efficiency of agricultural production and water use is fundamentally important to improving economic growth, sustainability and reducing poverty ■

Based on Grubel, James, 2006. Billions Face Water Shortages, Crisis Looms. Reuters, <http://today.reuters.com/>, (16 August 2006).

## Flash EVENTS



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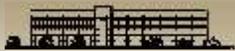
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## Book Review

# Poverty Unperceived: Traps, Biases and Agenda

Robert Chambers, IDS Working Paper 270, Institute of Development Studies, Brighton, United Kingdom, 2006. ISBN 1 85864 621 9

Robert Chambers strikes again. This IDS Working Paper is an updated and shorter remake of his famous book<sup>1</sup>. The author's intention is to promote the "practice of responsible pro-poor professionalism", to offset "the biases and traps of headquarters and capital cities" and to encourage "the vision and the guts to seek out direct experiential learning". The filigree is that with high priority accorded to poverty reduction and because of multi-dimensional rapid changes taking place, accurate perceptions of the living conditions of poor people are more necessary, yet few do what is needed to get them.

The author builds on four sections in his paper: Context and relevance, Rural poverty unperceived, The biases reviewed and An agenda for action. In the first section, Chambers highlights factors that justify perhaps more than before the need to learn more from, and understand better, poor people. While the conditions of the poor are changing fast, aid creates other and new problems. Trapped in headquarters and capital cities, overwhelmed by internal or inter-institutional meetings, by the multiplication of reports, by the "digital addiction and tyranny" of new information technology, aid workers, when not reluctant to expose themselves, have (or take) ever less time to spend with the poor. How poverty is perceived needs thus to be revisited.

This is the purpose of the "Rural poverty unperceived" section where the author reprints Chapter 1 of his 1983 book<sup>2</sup>. Chambers successively reviews: the urban trap that ensnares academics, administrations as well as aid agencies and keeps them away from the reality of the poor; the rural development tourism that lures the visitor to places and conditions the least appropriate to learn and understand the situation of the poor; and the rural poverty unobserved, due to six biases (spatial, project, person, season, diplomatic and professional). His 1983 work depicts aid professionals missing poverty in the field because they concentrate visits during the (pleasant) dry season to areas that are easily accessible (and close to urban centres), influenced by (usually successful) projects, where they meet selected people (usually male, healthy, active and belonging to the elite) they will not hurt with disturbing questions about failures and poverty, and where they look only at their own sectorial interests. He concludes this section with the unseen and the unknown showing that these biases affect not only external visitors but also local rural professionals and staff.

have been somehow offset but problems still remain. While road development and transportation has largely improved the access of the poor, an airport bias is emerging. Projects have lost their momentum but the pilot project approach (island of salvation) is resilient. The gender focus has reduced the person bias, as did the paradigmatic discourses on poverty to single-minded perceptions. Finally, a new security bias may become poignant. For security sake, visits to areas where learning and understanding of the lives and conditions of the poor is most needed are prevented. Chambers also pens a final warning on a possibly new expression of the urban trap: the shift from rural poverty to urban poverty.

So what? Robert Chambers is keen to give some ideas about what to do in the Agenda for action, the last section. I will pass the first subsection *Get out, visit and offset the biases*, the reader will find some useful hints and tips to ensure the "practice of being critically aware and reflecting on what is happening... what is being seen, shown and said, and what is not...". In the *Antidotes* subsection Chambers advocates [direct learning and staff immersion] and raises this ultimate question "... how, if it [an organization] is seriously pro-poor, can it possibly not do so [afford time and other resources for staff immersion]".

Like it or not, you have to read this paper. Though one might say that Chambers overstates the darker side of malpractices there is indisputable, large and worrying truths as well as evidence there. My reservation is that the author depicts primarily the biases of foreign (and external) aid and intervention, say macroeconomic urban actors, in the field of poverty, which might be regarded somehow as a tautological (yet real) argument. A systematic review of the practices of grass root organizations in relation to poverty reduction would provide counterpoint evidence and complete the picture.

All in all, putting into practice the Chambers's precepts of being critically aware of what we do and how it affects our, and others', perceptions of rural poverty is not only a practical way of doing the right thing, it is also a deontological requirement for our professionalism ■

Reviewed by Robin Bourgeois, IS/DB Programme Leader, UNESCAP-CAPSA, Bogor, Indonesia.

<sup>1</sup> Chambers, R. (1983). "Rural Development: Putting the Last First", Harlow: Longman.  
<sup>2</sup> See footnote 1 above.

The third section updates these biases and adds a seventh one; the security bias. In general, the author recognizes that most biases